

**UNIVERSITY OF CENTRAL OKLAHOMA
ALUMNI ASSOCIATION**

**Financial Statements and
Supplemental Schedule**

June 30, 2021

UNIVERSITY OF CENTRAL OKLAHOMA
ALUMNI ASSOCIATION

June 30, 2021

Financial Statements

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
University of Central Oklahoma
Alumni Association
Edmond, Oklahoma

Opinion

We have audited the accompanying financial statements of the University of Central Oklahoma Alumni Association (a nonprofit organization), a component unit of the University of Central Oklahoma, which comprise the Statements of Assets, Liabilities, and Net Assets--Modified Cash Basis as of June 30, 2021 and 2020, the related Statements of Revenue, Support, and Expenses--Modified Cash Basis and the Statements of Expenses--Modified Cash Basis for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Central Oklahoma Alumni Association as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with the Modified Cash Basis of Accounting as described in Note A.

Basis for Opinion

We conducted our audits in accordance with the Modified Cash Basis of Accounting. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University of Central Oklahoma Alumni Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Modified Cash Basis of Accounting as described in Note A; this includes determining that the Modified Cash Basis of Accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University of Central Oklahoma's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Central Oklahoma Alumni Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University of Central Oklahoma Alumni Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the Basis of Accounting. The financial statements are prepared on the Modified Cash Basis of Accounting, which is a Basis of Accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Smith, Carney & Co. P.C.

Oklahoma City, Oklahoma
September 21, 2021

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS--
MODIFIED CASH BASIS

UNIVERSITY OF CENTRAL OKLAHOMA
ALUMNI ASSOCIATION

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash	\$ 271,124	\$ 388,892
Investments	176,064	-
Interest in net assets of University of Central Oklahoma Foundation	<u>525,930</u>	<u>440,260</u>
	<u>\$ 973,118</u>	<u>\$ 829,152</u>
 <u>NET ASSETS</u>		
Without donor restrictions	<u>\$ 973,118</u>	<u>\$ 829,152</u>
	<u>\$ 973,118</u>	<u>\$ 829,152</u>

See Independent Auditor's Report
and Notes to Financial Statements.

STATEMENTS OF REVENUE, SUPPORT, AND EXPENSES--
 MODIFIED CASH BASIS

UNIVERSITY OF CENTRAL OKLAHOMA
 ALUMNI ASSOCIATION

	For The Year Ended June 30,	
	2021	2020
<u>REVENUE AND SUPPORT</u>		
Revenue:		
Royalties	\$ 75,000	\$ 185,570
Net investment gain (loss)	99,055	19,109
	<u>174,055</u>	<u>204,679</u>
Support:		
Donations	-	2,760
Miscellaneous	16,555	19,013
Related party contribution	198,443	191,092
	<u>214,998</u>	<u>212,865</u>
Total Revenue And Support	<u>389,053</u>	<u>417,544</u>
<u>EXPENSES</u>		
Program services:		
Salaries	137,291	134,847
Membership development	782	21,810
Membership services	27,948	59,918
	<u>166,021</u>	<u>216,575</u>
Supporting services:		
Salaries	48,238	47,378
Management and general	30,828	34,239
	<u>79,066</u>	<u>81,617</u>
Total Expenses	<u>245,087</u>	<u>298,192</u>
Increase In Net Assets	<u>143,966</u>	<u>119,352</u>
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
<u>AT BEGINNING OF YEAR</u>	<u>829,152</u>	<u>709,800</u>
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
<u>AT END OF YEAR</u>	<u>\$ 973,118</u>	<u>\$ 829,152</u>

See Independent Auditor's Report
 and Notes to Financial Statements.

STATEMENTS OF EXPENSES--MODIFIED CASH BASIS

UNIVERSITY OF CENTRAL OKLAHOMA
ALUMNI ASSOCIATION

	For The Year Ended June 30,	
	<u>2021</u>	<u>2020</u>
<u>PROGRAM SERVICES</u>		
Salaries and benefits	\$ 137,291	\$ 134,847
Membership development	782	21,810
Membership services:		
Homecoming events	6,807	36,385
Alumni board meetings	314	2,640
Donations/Gifts	10,759	14,147
Other membership services	-	508
Legacy scholarship	9,913	5,988
Chapters expense	155	250
Total Program Expense	<u>166,021</u>	<u>216,575</u>
<u>SUPPORT SERVICES</u>		
Salaries and benefits	48,238	47,378
Management and general:		
Advertising	483	2,365
Office supplies, postage, and printing	19,499	19,578
Professional fees	10,846	10,951
Travel and entertainment	-	1,176
Taxes/Fees	-	169
Total Supporting Services Expense	<u>79,066</u>	<u>81,617</u>
Total Expenses	<u>\$ 245,087</u>	<u>\$ 298,192</u>

See Independent Auditor's Report
and Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

UNIVERSITY OF CENTRAL OKLAHOMA
ALUMNI ASSOCIATION

June 30, 2021

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: The University of Central Oklahoma Alumni Association (the "Association") was incorporated on August 22, 1952. The Association was formed for the purpose of establishing and maintaining a close relationship and cooperation between the former students of the University of Central Oklahoma (the "University") and the University and to serve in fulfilling the programs and projects of both.

The University supports the Association by providing personnel and general office supplies. Additionally, the University provides office space, furniture, and equipment to the Association at no charge. However, accounting standards require the Association to recognize these services provided by the University, as it is an affiliated organization. See Note E to these financial statements.

Reporting Entity: The Association is included in the University of Central Oklahoma financial statements as a discretely presented component unit.

Basis of Reporting: The Association maintains its books and records on the modified cash basis of accounting. Under the cash basis of accounting, revenues and support are recognized when received rather than when earned and expenses are recognized when funds are disbursed rather than when the obligation is incurred. The cash basis of accounting has been modified to record direct support and expenses contributed by the University; and investments are recorded at market value.

Net Assets: In accordance with the modified cash basis of accounting for not-for-profit entities, the Association records net assets and revenues based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets that are not subject to donor imposed stipulations.

With Donor Restrictions: Net assets subject to donor-imposed stipulations that may, or will, be met either by actions of the Association and/or the passage of time or, must be maintained permanently by the Association. The Association had no donor restricted net assets at June 30, 2021.

Use of Estimates: The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Contributed Services: Numerous people have contributed time to the activities of the Association. The financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria of the modified cash basis of accounting.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA
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June 30, 2021

Concentration of Investment Risk: The Association maintains its cash balances in high-credit quality financial institutions. From time-to-time, the Association's cash and cash equivalents may exceed federally insured limits. At June 30, 2021, the bank balance was \$219,023. This balance is not over the FDIC insured limit. The Association also had \$52,101 in cash as of June 30, 2021 in their UBS investment account. This amount was not above the FDIC insured limit.

Income Taxes: The Association is a tax-exempt organization in accordance with the provisions of Section 501(c)(3) of the Internal Revenue Code. Income of the Association earned during the exercise of its stated purpose is exempt from state and federal income taxes. Income generated from activities unrelated to the Association's exempt purpose is subject to income taxes. The Association did not generate any material unrelated business income for the years ended June 30, 2021 and 2020. Accordingly, no provision for income taxes has been recorded.

The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in-progress. The Association believes it is no longer subject to income tax examinations for years prior to June 30, 2018.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenue, support, and expenses- modified cash basis and the statement of expenses- modified cash basis. Expenses which are easily and directly associated with a particular program or supporting service are charged directly to that functional area. Certain other expenses are allocated to the program and supporting services benefited based on time devoted by the staff. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Association.

NOTE B--BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Association has established a quasi-endowment fund that are perpetual in nature at the University of Central Oklahoma Foundation (the "Foundation"). Certain investments held by the Foundation have been contributed to the Foundation directly by the Association with the Association as the designated beneficiary (reciprocal transfers). These assets are recognized as an asset on these financial statements. The value of the Association's interest in the assets of the Foundation is based on the market value of the underlying investments held by the Foundation. All investment decisions are made by the Foundation. The Association receives annual distributions based on the Foundation's Disbursement policy. This interest includes net assets held in perpetuity to be used for any purpose of the Association. See Note C.

NOTE C--FAIR VALUE MEASUREMENTS

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA
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unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1--Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2--Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3--Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following methods and assumptions were used to estimate the fair values of the assets and liabilities in the table above. As per the requirements under accounting standards, all fair values reflected in the table below and on the Statement of Assets, Liabilities, and Net Assets have been adjusted for non-performance risk. There was no adjustment to fair value related to non-performance risk as of June 30, 2021 and 2020.

Level 1 Fair Value Measurements: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 3 Fair Value Measurements: Fair value is determined by the Alumni Association's ownership interest in the UCO Foundation's investment assets as reported by that organization.

The following tables sets forth by level, within the fair value hierarchy, the Association's assets at fair value:

	As of June 30, 2021			
Fair Value	(Level 1)	(Level 2)	(Level 3)	
<u>Financial Assets</u>				
Beneficial interest in				
Assets Held by Others	\$525,930	\$ -	\$ -	\$525,930
UBS Fixed Income Fund	<u>176,064</u>	<u>176,064</u>	<u>-</u>	<u>-</u>
Totals	<u>\$701,994</u>	<u>\$176,064</u>	<u>\$ -</u>	<u>\$525,930</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA
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	As of June 30, 2020			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
<u>Financial Assets</u>				
Beneficial interest in Assets Held by Others	\$440,260	\$ -	\$ -	\$440,260
Totals	\$440,260	\$ -	\$ -	\$440,260

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2021 and 2020:

	UCO Foundation
Beneficial interest in assets held by others at June 30, 2019	\$ 427,777
Distributions	(5,990)
Net investment income	<u>18,473</u>
Beneficial interest in assets held by others at June 30, 2020	440,260
Distributions	(9,913)
Net investment income	<u>95,583</u>
Beneficial interest in assets held by others at June 30, 2021	<u>\$525,930</u>

NOTE D--ADVERTISING EXPENSE

Advertising and promotional costs are expensed when cash payment is made. Gross advertising expense totaled \$483 and \$2,365 for the year ending June 30, 2021 and 2020, respectively.

NOTE E--RELATED PARTY

The Members of the Association's Board of Directors are Members of the Association.

The University provides the Association with employees, facilities, furniture, and equipment necessary to operate the Association. The costs are allocated directly to the Association for employee wages, benefits, and use of equipment and supplies paid by the University are recorded as related party contributions and expense.

The Association is housed in the offices of UCO and the UCO Foundation, and uses some of their furniture and equipment. This office space, furniture and equipment, if not used by the Association, would be repurposed by University, thus, a rental and/or expense value has not been recorded by the Association.

The detail of the recorded expense amounts are as follows:

Salaries and benefits	\$185,529
Office expense	<u>12,914</u>
	<u>\$198,443</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA
ALUMNI ASSOCIATION

June 30, 2021

NOTE F--LIQUIDITY AND AVAILABILITY

The following reflects the Association's financial assets as of the statement of financial position date.

	<u>2021</u>	<u>2020</u>
Financial assets, at year-end:		
Cash and cash equivalent	\$271,124	\$388,892
Beneficial Interest in assets		
Held by UCO Foundation	525,930	440,260
UBS Fixed Income Fund	<u>176,064</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$973,118</u>	<u>\$829,152</u>

NOTE H--RECLASSIFICATION

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. Net assets were not affected because of the reclassification.

NOTE I--SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2021, the date on which the financial statements were available for issue and determined there were no events that would materially affect the financial statements for the period under audit.